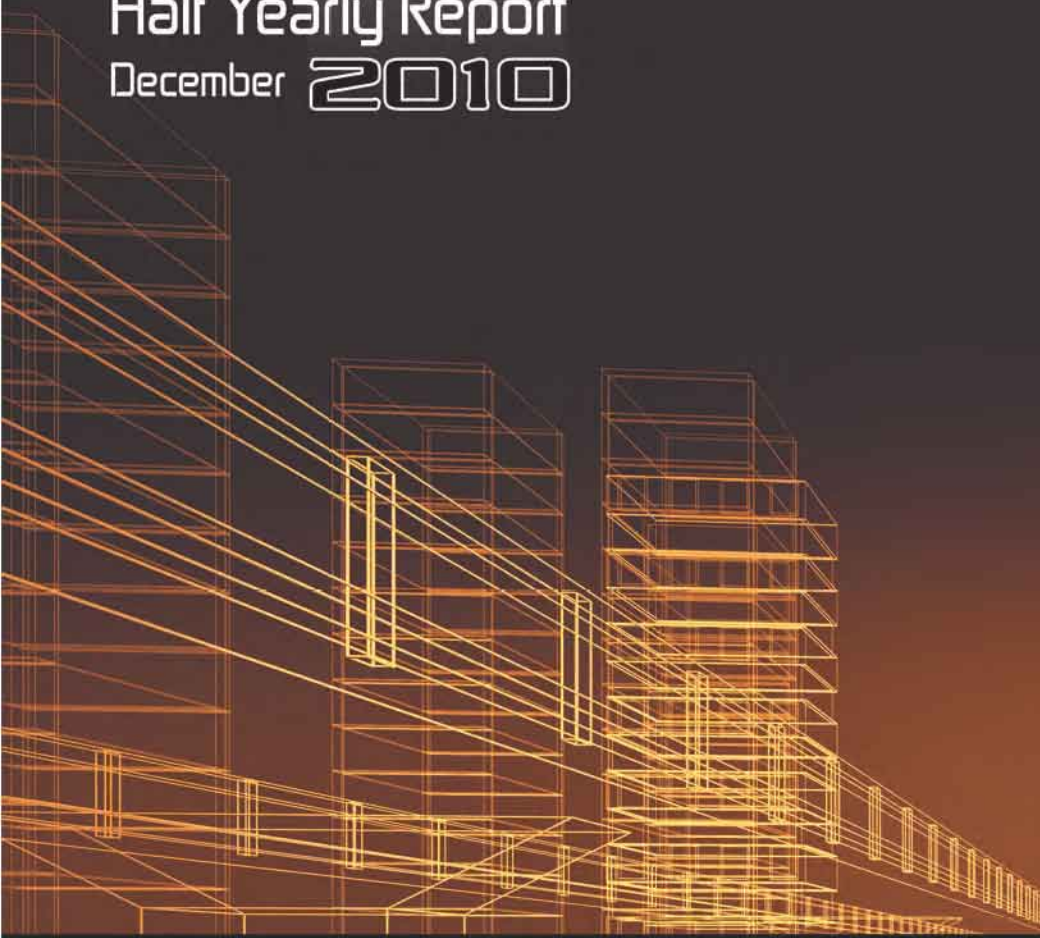


ALLIED



THE
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Allied Rental Modaraba Half Yearly Report December 2010



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MODARABA INFORMATION

Directors of Modaraba Company	<p>Mr. Khwaja Asif Rahman Chairman</p> <p>Mr. Murtaza Ahmed Ali Chief Executive</p> <p>Mr. Hassan Shahzad Abidi</p> <p>Syed Feisal Ali</p> <p>Mr. Ali Akbar</p> <p>Mr. Raees A. Khan</p> <p>Mr. Tajdar A. Shah</p>
Audit Committee	<p>Syed Feisal Ali (Chairman)</p> <p>Mr. Murtaza Ahmed Ali (Member)</p> <p>Mr. Ali Akbar (Member)</p> <p>Mr. Ilyas Asif (Internal Auditor & Secretary)</p>
Auditors	<p>KPMG Taseer Hadi & Co. Chartered Accountants</p>
Bankers/Lending Institutions	<p>Soneri Bank Ltd</p> <p>BankIslami Pakistan Limited</p> <p>MCB Bank Ltd</p> <p>National Bank of Pakistan</p> <p>Pak Kuwait Investment Company Ltd</p> <p>Standard Chartered Modaraba</p> <p>First Habib Modaraba</p>
Legal Advisor	<p>Mr. Khalil Ahmed Siddiqui, Advocate</p>
Registered & Head Office	<p>21/3 Sector 22, Korangi Industrial Area, Karachi - 74900</p> <p>UAN 111 250 250</p>
Registrar	<p>Gangjees Registrar Services (Pvt.) Limited</p> <p>516, Clifton Centre, Khayaban-e-Roomi</p> <p>Block-5, Clifton, Karachi.</p> <p>Phone: (021) 35375714</p>
Website	<p>www.arm.com.pk</p>

DIRECTORS' REPORT

For the half year ended 31 December 2010

The Board of Directors of Allied Engineering Management Company (Pvt.) Limited, the management company of Allied Rental Modaraba, is pleased to present to its certificate holders the Directors' Report together with the unaudited accounts of the Modaraba for the Half year ended December 31, 2010.

Financial Highlights	Rs in '000
Investment in assets	1,295
Assets deployed under Ijarah arrangement	75,394
Total Revenue	483,568
Net profit for the period	134,708
Net profit margin	28%
Return on equity	23%
Current Ratio	0.44:1
Earnings per certificate	2.25
Break-up value per certificate	19.16

Review of Operations

During the period under review, the Modaraba has shown a consistent growth in terms of turnover. The Modaraba achieved a turnover of Rs. 483.57 million as compared to Rs. 402.97 million in corresponding period last year, showing a growth of 20%. The Operating Expenses also went up by 28%, mainly due to charging of Lease Rentals under Islamic Financial Accounting Standard (IFAS) - 2, amounting to Rs 34 million as compared to Rs 9 million for the corresponding period last year. The disposal of Fixed Assets also remained low in this period, generating Gain of only Rs 1.5 Million as compared to Rs 16 Million for the corresponding period. As such, the net profit for the period slightly reduced to Rs. 134.71 million as compared to Rs.141.4 million earned during the corresponding period.

We are pleased to report that your Modaraba was selected by the Management Association of Pakistan for 2009 - 27th Corporate Excellence Award in the Equity Investment Instruments sector. *The award recognizes the best managed companies in Pakistan that follow guidelines and principles of latest management techniques.* The MAP Corporate Excellence Awards have become one of the most sought after accolades in the Pakistan Corporate sector. Under the assessment process, the marks obtained by the companies for the Management Practices Appraisal on the basis of 1,000 marks are recalculated on the basis of 250 points, 50 for financial evaluation and 200 points for management practices appraisal, thus maintaining the 20:80 weightage for each aspect. The final tabulated results are then presented to the MAP Executive Committee for approval and announcement.

In addition, your Modaraba got third position from Modaraba Association of Pakistan Best Performance Award for its Financial Year 2008-2009 corporate results.

Future Prospects

The Management is expanding its Rental Fleet, both in the Power Generation as well as logistics and Earth Moving Equipment. Power Generation segment offers excellent growth opportunities, both in terms of Asset growth and operating margins. In addition, the Management of the Modaraba also plans to diversify into new areas of Rental business, like Cranes and Lighting Towers. The rapid growth demands looking at all other options available to finance this expansion.

Positive Cash Flows from operating activities generated Rs 270 Million in July - Dec 2010 period. The other avenue is the credit lines from banks and financial institutions. With its commitment to timely repayment of financial liabilities and excellent track record of debt servicing, your Modaraba is not only able to get credit lines from its existing banks and financial partners but new finance partners for expansion of its Rental Fleet. But aggressive growth strategy demands that more needs to be done, so that the opportunity of business growth and expansion is not missed.

In this connection, it is working with its Sponsors and Dealer for CATERPILLAR in PAKISTAN, M/s Allied Engineering and Services Limited for a long term Supplier Credit without any MARK UP for the expansion of its Power Generation Equipment Fleet. This support will greatly help your Modaraba for not only reducing its financial expense, but will generate rental revenues with additional better gross margins.

Acknowledgement

The Board wishes to place on record its sincere gratitude to the concerned staff of Securities and Exchange Commission of Pakistan, the Registrar Modaraba, State Bank of Pakistan, bankers and finance partners and customers for their continued support and guidance for the growth of the Modaraba. It also acknowledges the potential of its dedicated and hardworking staff who always work on the principle of OUR CUSTOMERS FIRST.

On Behalf of the Board

Date: February 22, 2011

Murtaza Ahmed Ali
Chief Executive

AUDITORS' REPORT

on review of Condensed Interim Financial Information to the Certificate Holders

Introduction

We have reviewed the accompanying condensed interim balance sheet of Allied Rental Modaraba ("the Modaraba") as at 31 December 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (the interim financial information). Management of Modaraba Company [Allied Engineering Management Company (Private) Limited] is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures for the three months period ended 31 December 2010 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Date: February 22, 2011

Karachi

**KPMG Taseer Hadi & Co.
Chartered Accountants
Amin Pirani**

Condensed Interim Balance Sheet

As at 31 December 2010

	Note	Unaudited 31 December 2010	Audited 30 June 2010
(Rupees)			
ASSETS			
Current Assets			
Cash and bank balances	6	23,489,473	87,624,137
Trade debts - unsecured, considered good	7	91,497,609	78,744,538
Advances, deposits and other receivables	8	17,528,883	21,807,837
Current portion of net investment in ijarah finance / assets under ijarah arrangements	9	6,290,381	16,423,270
Total current		138,806,346	204,599,782
Non-current assets			
Net investment in ijarah finance/assets under ijarah arrangements	9	69,103,314	69,678,325
Long term security deposits		16,542,400	16,893,843
Fixed assets - tangible	10	1,295,125,618	1,219,699,585
Total non-current assets		1,380,771,332	1,306,271,753
Total assets		1,519,577,678	1,510,871,535
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	11	147,717,624	128,598,742
Payable to the Management Company	12	12,855,738	8,668,096
Current maturity of diminishing musharakah	13	121,005,529	113,331,152
Current maturity of liabilities against assets subject to ijarah finance (finance lease)	14	35,567,228	66,035,916
Total current liabilities		317,146,119	316,633,906
Long term and deferred liabilities			
Deferred staff liability		11,394,002	9,909,326
Other long-term employee benefits		4,282,585	4,332,865
Diminishing musharakah	13	21,104,533	-
Liabilities against assets subject to ijarah finance (finance lease)	14	16,290,115	30,343,016
Total long term and deferred liabilities		53,071,235	44,585,207
Total liabilities		370,217,354	361,219,113
NET ASSETS		1,149,360,324	1,149,652,422
FINANCED BY			
CAPITAL AND RESERVES			
Authorised Certificate Capital			
75,000,000 Modaraba Certificates of Rs.10 each		750,000,000	750,000,000
Issued, subscribed and paid up		600,000,000	600,000,000
Premium on issue of rights certificates		90,000,000	90,000,000
Statutory (mandatory) reserve		343,869,675	316,928,095
Unappropriated profit		115,490,649	142,724,327
		1,149,360,324	1,149,652,422

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.

For Allied Engineering Management Company (Private) Limited
(Management Company)

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Ali Akber
Director

Condensed Interim Profit and Loss Account (Unaudited)

For the six months period ended 31 December 2010

Note	Six months period ended		Three months period ended	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
(Rupees)				
Operating lease rentals	402,067,402	322,134,916	205,889,449	167,608,456
Operation and maintenance income	74,883,245	72,561,388	38,467,699	31,420,640
Profit on finance lease arrangements	6,617,218	8,272,484	3,251,176	3,950,166
	<u>483,567,865</u>	<u>402,968,788</u>	<u>247,608,324</u>	<u>202,979,262</u>
Operating expenses	15 (310,007,097)	(241,587,592)	(163,498,983)	(124,084,691)
Gross Profit	<u>173,560,768</u>	<u>161,381,196</u>	<u>84,109,341</u>	<u>78,894,571</u>
Administration and selling cost	16 (26,688,837)	(24,673,201)	(15,138,662)	(15,582,858)
Finance cost	17 (13,559,900)	(11,624,582)	(7,738,682)	(4,792,075)
Workers' Welfare Fund	18 (2,694,158)	(6,281,713)	(1,282,817)	(6,281,713)
Other income	19 8,256,253	22,597,051	6,175,422	21,196,105
	<u>(34,686,642)</u>	<u>(19,982,445)</u>	<u>(17,984,739)</u>	<u>(5,460,541)</u>
	<u>138,874,126</u>	<u>141,398,751</u>	<u>66,124,602</u>	<u>73,434,030</u>
Modaraba management fee	12 (4,166,224)	-	(1,983,738)	-
Profit for the period	<u>134,707,902</u>	<u>141,398,751</u>	<u>64,140,864</u>	<u>73,434,030</u>
Earnings per certificate - basic and diluted	<u>2.25</u>	<u>2.36</u>	<u>1.07</u>	<u>1.22</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.

For Allied Engineering Management Company (Private) Limited
(Management Company)

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Ali Akber
Director

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the six months period ended 31 December 2010

	Six months period ended 31 December 2010	31 December 2009	Three months period ended 31 December 2010	31 December 2009
	(Rupees)			
Profit for the period	134,707,902	141,398,751	64,140,864	73,434,030
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	134,707,902	141,398,751	64,140,864	73,434,030

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.

For Allied Engineering Management Company (Private) Limited
(Management Company)

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Ali Akber
Director

Condensed Interim Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2010

	Six months period ended	
	31 December 2010	31 December 2009
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	134,707,902	141,398,751
<i>Adjustments for non-cash and other items:</i>		
Depreciation	96,152,980	70,701,853
Provision against impaired debts	2,010,500	3,510,069
Provision for deferred staff liability	1,484,676	1,000,000
Finance cost	13,559,900	11,624,582
Gain on disposal of fixed assets	(1,509,192)	(15,997,204)
<i>(Increase) / decrease in operating assets</i>	246,406,766	212,238,051
Trade debts	(14,763,571)	(1,877,172)
Investment in ijarah finance / assets under ijarah arrangements	10,707,900	4,879,916
Advances, deposits and other receivables	4,278,954	(20,644,801)
	223,283	(17,642,057)
<i>Increase in operating liabilities</i>		
Creditors, accrued and other liabilities	19,118,882	64,498,640
Payable to the Management Company	4,187,642	276,639
	23,306,524	64,775,279
Cash generated from operations	269,936,573	259,371,274
Long term employee benefits paid	(50,280)	-
Financial charges paid	(310,955)	(387,369)
Net cash flows from operating activities	269,575,338	258,983,905
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(178,205,090)	(163,564,828)
Investment in musharakah deposits	-	(50,000,000)
Proceeds from disposal of fixed assets	8,135,269	98,277,517
Net cash flows from investing activities	(170,069,821)	(115,287,311)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution to the certificate holders	(135,000,000)	(90,000,000)
Diminishing musharakah availed	30,697,505	-
Diminishing musharakah rentals paid	(11,099,386)	-
Lease rentals paid	(48,238,300)	(60,321,261)
Net cash flows from financing activities	(163,640,181)	(150,321,261)
Net cash decrease during the period	(64,134,664)	(6,624,668)
Cash and bank balances at beginning of the period	87,624,137	34,978,716
Cash and bank balances at end of the period	23,489,473	28,354,048
Short term investments	-	50,000,000
Cash and cash equivalent	23,489,473	78,354,048

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.

For Allied Engineering Management Company (Private) Limited
(Management Company)

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Ali Akber
Director

Condensed Interim Statement of Changes in Equity (Unaudited) For the six months period ended 31 December 2010

	Paid up certificate capital	Premium on right issue	Statutory (mandatory) reserve (Rupees)	Unappropriated profit	Total
Balance as on 1 July 2009	600,000,000	90,000,000	177,941,513	93,737,745	961,679,258
Changes in equity for the six months period ended 31 December 2009					
Total comprehensive income for the six months period ended 31 December 2009 - profit for the period	-	-	-	141,398,751	141,398,751
Transactions with owners recognised directly in equity					
Profit distribution for the year ended 30 June 2009 @ Rs. 1.5 per certificate	-	-	-	(90,000,000)	(90,000,000)
Transfer to statutory (mandatory) reserve	-	-	28,279,750	(28,279,750)	-
Balance as on 31 December 2009	600,000,000	90,000,000	206,221,263	116,856,746	1,013,078,009
Changes in equity for the six months period ended 30 June 2010					
Total comprehensive income for the six months period ended 30 June 2010 - profit for the period	-	-	-	136,574,413	136,574,413
Transfer to statutory (mandatory) reserve	-	-	110,706,832	(110,706,832)	-
Balance as on 30 June 2010	600,000,000	90,000,000	316,928,095	142,724,327	1,149,652,422
Changes in equity for the six months period ended 31 December 2010					
Total comprehensive income for the six months period ended 31 December 2010 - profit for the period	-	-	-	134,707,902	134,707,902
Transactions with owners recognised directly in equity					
Profit distribution for the year ended 30 June 2010 @ Rs. 2.25 per certificate	-	-	-	(135,000,000)	(135,000,000)
Transfer to statutory (mandatory) reserve	-	-	26,941,580	(26,941,580)	-
Balance as at 31 December 2010	600,000,000	90,000,000	343,869,675	115,490,649	1,149,360,324

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.

**For Allied Engineering Management Company (Private) Limited
(Management Company)**

**Murtaza Ahmed Ali
Chief Executive**

**Khwaja Asif Rahman
Chairman**

**Ali Akber
Director**

Notes to the Condensed Interim Financial Information (Unaudited) For the six months period ended 31 December 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

The Securities and Exchange Commission of Pakistan (SECP), vide its certificate no. SC/M/RW/ARM/2006-166 dated 10 May 2006, authorised Allied Engineering Management Company (Private) Limited ("the Management Company") to float Allied Rental Modaraba ("the Modaraba").

The Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by the above Management Company, which is wholly owned by Allied Engineering and Services Limited. The Management Company is incorporated in Pakistan under the Companies Ordinance, 1984 and is registered with the Registrar of Modaraba Companies and Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

The Modaraba is a perpetual Modaraba and is engaged in Ijarah (leasing under operating and finance lease arrangements) and operation & maintenance of Caterpillar and other equipments (i.e. generators, forklifters, compactors, etc.). The registered office of Modaraba is located at 21/3, Sector 22, Korangi Industrial Area, Karachi. The Modaraba is listed on the Karachi Stock Exchange. The Modaraba commenced its operations from 10 January 2007.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed interim financial information have been presented in condensed form in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Modaraba as at and for the year ended 30 June 2010.

These condensed interim financial information comprise of condensed interim balance sheet as at 31 December 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement condensed interim statement of changes in equity and notes thereto, for the six months period ended 31 December 2010.

These condensed interim financial information are being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981. However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

2.2 Functional and presentation currency

These condensed interim financial information are presented in Pak Rupees which is the functional and presentation currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended 30 June 2010.

4. ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2010.

5. FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives and polices are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2010.

	<i>Note</i>	Unaudited 31 December 2010	Audited 30 June 2010
6. CASH AND BANK BALANCES			
(Rupees)			
Cash with banks on:			
- current accounts		14,312,524	17,484,313
- profit / loss sharing accounts	6.1	8,945,381	70,139,824
		23,257,905	87,624,137
Cash in hand		231,568	-
		23,489,473	87,624,137

6.1 These accounts carry profit rates ranging from 5% to 10% per annum (30 June 2010 : 5 % to 10% per annum).

7. TRADE DEBTS - unsecured

Considered good		91,497,609	78,744,538
Considered doubtful		4,577,027	3,737,594
		96,074,636	82,482,132
Provision against impaired debts	7.1	(4,577,027)	(3,737,594)
		91,497,609	78,744,538

This represents the rentals due under operating lease arrangements and amount due for operation and maintenance services.

7.1 Provision against impaired debts

	Note	Unaudited 31 December 2010	Audited 30 June 2010
(Rupees)			
Opening balance		3,737,594	5,937,288
Charge for the period / year		2,010,500	-
Write-off during the period / year		<u>(1,171,067)</u>	<u>(2,199,694)</u>
Closing balance		<u>4,577,027</u>	<u>3,737,594</u>

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Income tax recoverable	8.1	4,017,392	3,523,174
Advances (unsecured) :			
- to contractors		598,047	550,055
- to suppliers		147,717	640,625
- to employees against salary		582,968	488,969
- against expenses	8.2	<u>200,000</u>	<u>137,500</u>
		1,528,732	1,817,149
Security deposits	8.3	11,961,949	16,445,351
Others		20,810	22,163
		<u>17,528,883</u>	<u>21,807,837</u>

8.1 This represents tax deducted at source from various payments to the Modaraba.

8.2 This represents advance given to employees for expenses. The maximum amount outstanding during any month of the current period was Rs. 0.20 million (30 June 2010 : Rs. 0.303 million).

8.3 This includes security deposits of Rs. 11.46 million (30 June 2010 : Rs. 16.112 million) paid against ijarah finance contracts and are refundable / adjustable on the expiry of lease period (which is within one year).

9. IJARAH FINANCE

Ijarah contracts commencing up to 30 June 2008 accounted for as finance leases	9.1	71,593,695	84,701,595
Ijarah contracts commencing 1 July 2008 accounted for under IFAS 2	9.2	<u>3,800,000</u>	1,400,000
		75,393,695	86,101,595
Current portion of net investment in Ijarah finance		<u>(6,290,381)</u>	<u>(16,423,270)</u>
		69,103,314	69,678,325

9.1 Investment in Ijarah finance

	Unaudited 31 December 2010				Audited 30 June 2010			
	Due within one year	Due after one year but within five years	Due after five year but within ten years	Total	Due within one year	Due after one year but within five years	Due after five years but within ten years	Total
(Rupees)								
Minimum lease payments receivable	18,210,000	72,000,000	34,500,000	124,710,000	19,130,000	72,000,000	43,500,000	134,630,000
Residual value of leased assets	421,983	-	-	421,983	10,227,101	-	-	10,227,101
Lease contract receivables	18,631,983	72,000,000	34,500,000	125,131,983	29,357,101	72,000,000	43,500,000	144,857,101
Unearned lease income	(12,341,602)	(35,701,385)	(5,495,301)	(53,538,288)	(12,933,831)	(38,798,297)	(8,423,378)	(60,155,506)
	<u>6,290,381</u>	<u>36,298,615</u>	<u>29,004,699</u>	<u>71,593,695</u>	<u>16,423,270</u>	<u>33,201,703</u>	<u>35,076,622</u>	<u>84,701,595</u>

The Modaraba has entered into various lease agreements with profit rates ranging between 14.45% and 17.97% (30 June 2010: 3% and 35.71%) per annum. The agreements usually are for a period ranging from 4.5 to 10 years (30 June 2010 : 3 to 10 years). These are generally secured against the leased assets and promissory notes given by the lessees.

9.2 Assets under Ijarah arrangements

	31 December 2010 (Unaudited)						Life (years)	
	Cost		Accumulated depreciation			Written down value as at 31 December 2010		
	As at 01 July 2010	Additions	As at 31 December 2010	As at 01 July 2010	For the period			As at 31 December 2010
(Rupees)								
Machines	3,000,000	4,200,000	7,200,000	1,600,000	1,800,000	3,400,000	3,800,000	1.5 - 3

The Modaraba has leased out assets under ijarah arrangement at the implicit rate of return ranging between 20% and 23.93% (30 June 2010 : 20%)

	30 June 2010 (Audited)						Life (years)	
	Cost		Accumulated depreciation			Written down value as at 30 June 2010		
	As at 01 July 2009	Additions	As at 30 June 2010	As at 01 July 2009	For the year			As at 30 June 2010
(Rupees)								
Machines	3,000,000	-	3,000,000	800,000	800,000	1,600,000	1,400,000	3

9.2.1 Contractual rentals receivable

Contractual rentals receivables against the above ijarah arrangements are as follows:

	Unaudited 31 December 2010			Audited 30 June 2010		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
(Rupees)						
Total future rentals receivable	4,495,212	-	4,495,212	1,670,304	-	1,670,304

	Note	Unaudited 31 December 2010	Audited 30 June 2010
(Rupees)			
10. FIXED ASSETS - tangible			
Operating fixed assets	10.1	1,244,071,217	1,204,202,982
Capital work-in-progress	10.2	51,054,401	15,496,603
		<u>1,295,125,618</u>	<u>1,219,699,585</u>

10.1 Operating fixed assets

	Six months period ended 31 December 2010		Six months period ended 31 December 2009	
	Owned	Leased	Owned	Leased
(Rupees)				
Additions (cost)				
Generators, forklifts and related parts	64,369,940 *	-	164,356,830 *	-
Machines	63,219,563 *	-	2,050,000 *	-
Furniture, fixtures and office equipment	287,244	-	190,842	-
Vehicles	12,970,545	-	1,279,415	-
	<u>140,847,292</u>	<u>-</u>	<u>167,877,087</u>	<u>-</u>
Disposal (cost)				
Generators, forklifts and related parts	8,402,152	-	3,443,492	4,807,869
Machines	-	-	81,796,652	-
Vehicles	3,045,000	-	125,800	-
	<u>11,447,152</u>	<u>-</u>	<u>85,365,944</u>	<u>4,807,869</u>

* These assets have been acquired for leasing under operating lease arrangements.

10.2 Capital work-in-progress

	Unaudited 31 December 2010	Audited 30 June 2010
(Rupees)		
Advances for equipment	22,367,020	15,496,603
Assets under installation	28,687,381	-
	<u>51,054,401</u>	<u>15,496,603</u>

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for goods	11.1	47,452,165	54,021,651
Creditors for expenses		10,840,366	11,280,586
Advances from customers		54,035,894	33,451,946
Security deposit	11.2	800,000	800,000
Employee car scheme - deductions	11.3	4,364,570	3,412,478
Dividend Payable		298,963	116,380
<i>Accrued expenses</i>			
- Accrued commission		1,200,000	1,248,197
- Accrued staff bonus		13,672,458	7,739,625
- Auditors' remuneration		419,341	456,773
- Accrued financial charges	11.4	2,582,240	2,477,368
- Miscellaneous		1,525,363	880,799
		<u>19,399,402</u>	<u>12,802,762</u>
Rental payable	11.5	7,832,106	7,153,476
Workers' welfare fund		2,694,158	5,559,463
		<u>147,717,624</u>	<u>128,598,742</u>

- 11.1** This includes Rs. 42.967 million (30 June 2010: Rs. 41.665 million) payable to Allied Engineering and Services Limited (an associated company) for the purchase of fixed assets, spares, etc and maintenance services availed by the Modaraba.
- 11.2** This includes Rs. 0.60 (30 June 2010 : Rs. 0.60 million) received from lessees against Ijarah finance contracts that are repayable /adjustable on the expiry of lease period (which is within one year).
- 11.3** This represents amounts deducted from the monthly salaries of the employees who have been given vehicles by the Modaraba under the terms of their employment and is adjustable on the sale of said vehicles.
- 11.4** This represents accrual of financial charges in respect of liabilities against assets subject to ijarah finance (finance lease) and musharakah finance.
- 11.5** This represents rentals payable against ijarah agreement. Details of contractual rentals payable are as follows:

	31 December 2010			30 June 2010		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
	(Rupees)					
Total future rentals payable	81,628,657	137,333,245	218,961,902	48,560,014	89,381,316	137,941,330

Assets acquired under the above arrangements have been sub-let under operating lease arrangements. During the period, an expense of Rs. 34.339 million (six months period ended 31 December 2009: Rs. 9.154 million) and income of Rs. 42.35 million (six months period ended 31 December 2009: Rs. 10.86 million) was recognised under the above Ijarah arrangement and as at the period-end, Rs. 2.63 million (30 June 2010 : Rs. 3.303 million) was due to the Modaraba under the operating lease arrangements.

12. PAYABLE TO THE MANAGEMENT COMPANY

- 12.1** This includes Rs. 12.763 million on account of management fee. The Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba. The fee for the period ended 31 December 2010 has been recognised at 3% of profit for the period.

13. DIMINISHING MUSHARAKAH

	Unaudited	Audited
	31 December 2010	30 June 2010
	(Rupees)	
Musharakah finance	142,110,062	113,331,152
Due within one year	(21,104,533)	(113,331,152)
	121,005,529	-

The total facility for musharakah finance available to Modaraba amounts to Rs. 168 million (30 June 2010 : Rs. 130 million). Above amounts have been borrowed from a Bank and a Modaraba. The estimated share of profit is payable @ 3 month KIBOR plus 1.4% to 6 month KIBOR plus 1.75% per annum. At the year end the profit rates were 14.38% and 15.32%. The facility is secured against exclusive charge over certain brand new generators and used machines amounting to Rs. 171.1 million and promissory notes.

Borrowing of Rs. 28.779 million is due for settlement in quarterly installments ranging between Rs. 2.917 million to Rs. 1.918 million by September 2014. Borrowing of Rs. 113.331 million is due for settlement in two installments of Rs. 56.67 million payable in May and June 2011.

14. LIABILITIES AGAINST ASSETS SUBJECT TO IJARAH FINANCE (FINANCE LEASE)

These represent liabilities against assets acquired under finance lease arrangements. Against a total facility limit of Rs. 563.058 million (30 June 2010 : Rs. 563.058 million) from various banks, facilities of Rs. 527.908 million (30 June 2010: Rs. 527.908 million) have been availed by the Modaraba. During the period no new facility was utilized by the Modaraba.

	31 December 2010			30 June 2010		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
(Rupees)						
Minimum lease payments	39,644,660	16,762,388	56,407,048	72,385,107	32,241,309	104,626,416
Finance charge for future periods	(4,077,432)	(472,273)	(4,549,705)	(6,349,191)	(1,898,293)	(8,247,484)
Principal outstanding	35,567,228	16,290,115	51,857,343	66,035,916	30,343,016	96,378,932

These liabilities (for assets obtained under leasing arrangements) carry profit rates ranging between 3 month KIBOR plus 1.75% to 6 month KIBOR plus 2% per annum and are repayable by June 2012 in monthly / quarterly instalments.

	Note	Six months period ended		Three months period ended	
		31 December 2010	31 December 2009	31 December 2010	31 December 2009
(Rupees)					
Salaries, wages and other staff benefits	15.1	96,340,631	80,710,951	50,804,087	41,775,538
Depreciation expense		94,263,359	69,211,290	47,002,254	34,438,333
Repair and maintenance		74,723,930	72,990,066	38,152,822	37,317,952
Transportation costs		-	705,679	-	705,679
Insurance cost - equipments		7,654,020	6,827,273	3,576,230	3,616,610
Lease rentals		34,339,296	9,153,819	22,422,039	5,048,024
Travelling and conveyance		1,301,551	1,264,864	679,641	707,455
Miscellaneous		1,384,310	723,650	861,910	475,100
		<u>310,007,097</u>	<u>241,587,592</u>	<u>163,498,983</u>	<u>124,084,691</u>

15.1 This includes contribution of Rs. 1.029 million (31 December 2009: Rs. 0.86 million) to the staff provident fund.

16. ADMINISTRATIVE AND SELLING COSTS

Salaries, wages and other staff benefits	16.1	5,363,441	4,670,707	2,640,221	2,409,838
Commission		3,896,960	4,848,716	1,946,360	2,860,802
Vehicle running costs		4,845,579	3,853,438	2,398,153	2,382,326
Travelling and conveyance		3,796,238	2,676,929	2,227,158	1,578,422
Provision against impaired debts		2,010,500	3,510,069	2,010,500	3,510,069
Depreciation expense		1,889,621	1,490,563	1,004,156	724,910
Legal and professional charges		1,445,083	841,822	343,300	267,175
Auditors' remuneration		400,000	200,000	400,000	200,000
Telephone, postage and fax charges		451,720	456,106	254,959	255,734
Advertisement and sales promotion		90,860	302,921	74,860	191,921
Printing and stationery		982,118	644,016	740,343	456,119
Insurance cost - vehicles		383,775	348,056	232,092	178,289
Training, meetings and tender participation		111,680	61,400	54,480	48,400
Miscellaneous		1,021,262	768,459	812,080	518,854
		<u>26,688,837</u>	<u>24,673,201</u>	<u>15,138,662</u>	<u>15,582,858</u>

16.1 This includes contribution of Rs. 0.29 million (31 December 2009: Rs. 0.29 million) to the staff provident fund.

	Six months period ended		Three months period ended	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
17. FINANCE COST				
Financial charges on obligation against assets under ijarah lease arrangements	4,068,153	11,237,213	2,190,319	4,492,601
Finance cost on musharakah finance (borrowing)	9,180,792	-	5,355,866	-
Bank charges and commission	310,955	238,191	169,897	150,296
Exchange loss	-	149,178	22,600	149,178
	<u>13,559,900</u>	<u>11,624,582</u>	<u>7,738,682</u>	<u>4,792,075</u>

18. WORKERS' WELFARE FUND

Under the Workers' Welfare Ordinance (WWF), 1971 the Modaraba is liable to pay WWF on profit before tax as per accounts or declared income as per income tax return, whichever is higher.

19. OTHER INCOME

Profit on bank deposits	3,049,949	2,782,404	1,621,158	2,194,379
Profit on musharakah certificates with a Modaraba	1,386,301	1,381,438	1,386,301	1,381,438
Proceeds from disposal of scrap	2,258,479	2,436,005	1,648,857	1,623,574
Gain on disposal of fixed assets	1,509,192	15,997,204	1,519,106	15,996,714
Exchange gain	52,332	-	-	-
	<u>8,256,253</u>	<u>22,597,051</u>	<u>6,175,422</u>	<u>21,196,105</u>

20. TAXATION

The income of the Modaraba from non-trading activities is exempt from tax, provided that not less than 90% of its profits (after appropriation to statutory (mandatory) reserves as required under Modaraba Regulations) are distributed to the certificate holders. The Modaraba intends to continue availing the tax exemption and hence no provision has been made for current or deferred taxes in these financial information for tax liability for the six months ended 31 December 2010.

21. RELATED PARTY TRANSACTIONS

The related parties comprise of major certificate holders and their close family members, directors of the management company and their close family members, key management personnel of the Management Company and their close family members, the provident fund trust and the entities with common directors or under common management.

Contribution to the provident fund is made in accordance with the services rules. Modaraba management fee, if any, is accrued in accordance with the requirements of Modaraba Regulations. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

21.1 Detail of transactions with related parties during the period are as follows:

	Six months period ended	
	31 December 2010	31 December 2009
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Management Company)		
Modaraba Management fee	<u>4,166,224</u>	<u>-</u>
Allied Engineering and Services Limited (holding company of the Management Company)		
Purchase of assets	<u>6,935,549</u>	<u>148,431,065</u>
Purchase of parts and services	<u>61,316,136</u>	<u>57,455,387</u>
Sale of rental assets and rent revenue	<u>5,100,967</u>	<u>3,547,500</u>
Staff Provident Fund (provident fund of the associated company)		
Contribution to the staff provident fund	<u>1,318,763</u>	<u>1,152,636</u>
Remuneration of key management personnel	<u>5,000,324</u>	<u>5,125,990</u>

**21.2 Detail of balances with related parties
as at period / year end**

	Unaudited	Audited
	31 December 2010	30 June 2010
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Management Company)		
Payable to the Management Company	<u>12,855,738</u>	<u>8,668,096</u>
Allied Engineering and Services Limited (the holding company of the Management Company)		
Payable against purchase of parts and services	<u>42,967,219</u>	<u>41,665,704</u>

22. SEGMENTAL INFORMATION

22.1 Details of segment revenue, profit, assets and liabilities are as follows:

	Operating and Finance Lease Rentals		Operation and Maintenance Income		Total	
	2010	2009	2010	2009	2010	2009
	(Rupees)					
Revenue	408,684,620	330,407,400	74,883,245	72,561,388	483,567,865	402,968,788
Costs	323,829,414	237,510,116	33,286,802	46,656,972	357,116,216	284,167,088
Reportable segment profit	<u>84,855,206</u>	<u>92,897,284</u>	<u>41,596,443</u>	<u>25,904,416</u>	<u>126,451,649</u>	<u>118,801,700</u>

Reportable segment assets:

Trade debts	68,736,764	59,594,939	22,760,845	19,149,599	91,497,609	78,744,538
Net investment in Ijarah finance	75,393,695	86,101,595	-	-	75,393,695	86,101,595
Security deposits	28,504,349	33,339,194	-	-	28,504,349	33,339,194
Fixed assets	1,295,125,618	1,219,699,585	-	-	1,295,125,618	1,219,699,585
	<u>1,467,760,426</u>	<u>1,398,735,313</u>	<u>22,760,845</u>	<u>19,149,599</u>	<u>1,490,521,271</u>	<u>1,417,884,912</u>

Reportable segment liabilities:

Creditors, accrued and other liabilities	137,014,286	115,675,182	10,703,338	12,923,560	147,717,624	128,598,742
Liabilities against assets subject to Ijarah finance	51,857,343	96,378,932	-	-	51,857,343	96,378,932
Diminishing musharakah	142,110,062	113,331,152	-	-	142,110,062	113,331,152
	<u>330,981,691</u>	<u>325,385,266</u>	<u>10,703,338</u>	<u>12,923,560</u>	<u>341,685,029</u>	<u>338,308,826</u>

22.2 Reconciliation of reportable segments revenues, profit or loss, assets and liabilities is as follows:

	Note	2010	2009
		(Rupees)	
Total revenue for reportable segments	22.1	483,567,865	402,968,788
Other revenue	19	8,256,253	22,597,051
Total revenue		<u>491,824,118</u>	<u>425,565,839</u>
Profit or loss			
Total profit or loss for reportable segments	22.1	126,451,649	81,275,174
Other profit or loss	19	8,256,253	22,597,051
		<u>134,707,902</u>	<u>103,872,225</u>
Assets			
Total assets for reportable segments	22.1	1,490,521,271	1,417,884,912
Advances and other receivables		5,566,934	5,362,486
Cash and bank balances	6	23,489,473	87,624,137
		<u>1,519,577,678</u>	<u>1,510,871,535</u>
Liabilities			
Total liabilities for reportable segments	22.1	341,685,029	338,308,826
Payable to the Management Company	12	12,855,738	8,668,096
Deferred staff liability		11,394,002	9,909,326
Other long term employee benefits		4,282,585	4,332,865
		<u>370,217,354</u>	<u>361,219,113</u>

22.3 Segment revenue is based on balances based in Pakistan.

Revenue from one customer in the Modaraba's Operation and Maintenance income segment amounts to Rs. 28.2 million of the Modaraba's total revenue.

The Board of Directors and the Chief Executive Officer of the Management Company are the Modaraba's Chief Operating decision makers.

23. GENERAL

23.1 Figures have been rounded off to the nearest rupee.

23.2 These condensed interim financial information are unaudited and have been reviewed by the auditors.

Furthermore, figures for the three months period ended 31 December 2010 in these condensed interim financial information have not been reviewed by the auditors.

23.3 These condensed interim financial information were authorised for issue on 22 February 2011 by the Board of Directors of the Management Company.

For Allied Engineering Management Company (Private) Limited
(Management Company)

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Ali Akber
Director

ALLIED RENTAL MODARABA

Managed by: Allied Engineering Management Company (Private) Limited



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